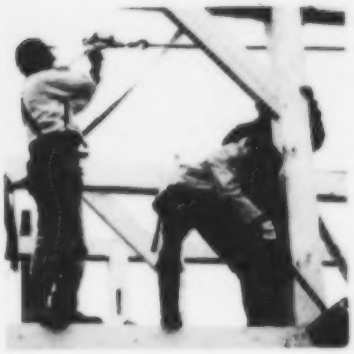
Economic Development

REPORT to PARLIAMENT 2006



Canada Economic Development for Quebec Regions
Développement économique Canada pour les régions du Québec

Canada

Report to Parliament 2006

Economic Development Agency of Canada
for the Regions of Quebec

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and Government Services Canada

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REPORT to PARLIAMENT 2006

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NOTE to the READER

The *Economic Development Agency of Canada for the Regions of Quebec Act*[1] stipulates that prior to January 1, 2007, the President shall submit to the Minister a report providing details of the Agency's activities.

The Minister shall lay each edition of the Report to Parliament before each House of Parliament. This tabling shall take place on any of the first 15 days on which that House is sitting following the submission of the report by the President.

This statute also stipulates that the President shall submit a new Report to Parliament to the Minister in 2011, and every five years afterward.

The *Report to Parliament* is in addition to the other reports which the Minister responsible for the Agency tables on a yearly basis before Parliament, such as the *Report on Plans and Priorities* and the *Departmental Performance Report*.[2]

1 The wording of the Act is available on the Internet at http://laws.justice.gc.ca/en/E-1.3/index.html.

2 These and other reports may be found on the Agency's site at http://www.dec-ced.gc.ca/asp/Publications/Doc_pub_agence.asp?LANG=EN

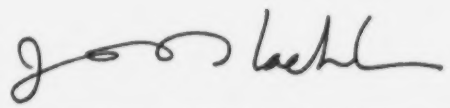
MESSAGE from the MINISTER

As Minister responsible for the Economic Development Agency of Canada for the Regions of Quebec, I am pleased to present the first *Report to Parliament 2006*. The Agency supports Quebec's regions and communities so as to enable them to increase their development capability, dynamism and prosperity on a lasting basis. This report provides a brief summary of the Agency's recent achievements, along with its new priorities and the initiatives that will transform these achievements into results for the regions of Quebec.

In travelling around the regions of Quebec, I have observed that they are not immune to the new economic reality. I have also realized the extent to which globalization has led to an intensification of the competition being faced by some of the industries that play a key role in the Quebec economy. I have talked in particular with people who have devoted their lives to their enterprises and the creation of employment in their communities. I have also exchanged thoughts with regional leaders who understand that, in the context of the new economy, Quebec's regions have to continue their diversification efforts, just as enterprises have to continue enhancing their productivity and their innovation capability.

I have identified three areas I wish to focus on: regions with slow economic growth; small- and medium-sized enterprises; and community consultation. The Agency is intensifying its assistance to Quebec's regions and devitalized communities so as to help them shape a better future for themselves. It is continuing to build on the capabilities of Quebec entrepreneurs, notably by increasing its support for the penetration of foreign markets. Finally, the Agency intends to work more closely still with the economic agents in each community, who are particularly well placed to identify the main challenges facing their regions in drawing up solutions that will enable them to meet those challenges successfully.

Today, Quebec's regions face some substantial development challenges. But the Agency intends more than ever to work with them in order to help them meet these challenges and continue on the path to prosperity.



Jean-Pierre Blackburn

Minister of Labour and Minister of the
Economic Development Agency
of Canada for the Regions of Quebec

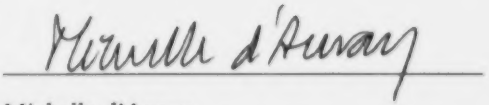
MESSAGE from MANAGEMENT

To operate effectively and ensure the optimum use of public funds, the Agency sees to it that its programs and management methods are increasingly focussed on results. Our aim is for our financial resources to be aligned with the competencies and expertise of Agency personnel so as to generate these results. For several years, it has made considerable progress in these areas, and it intends to continue working toward that goal.

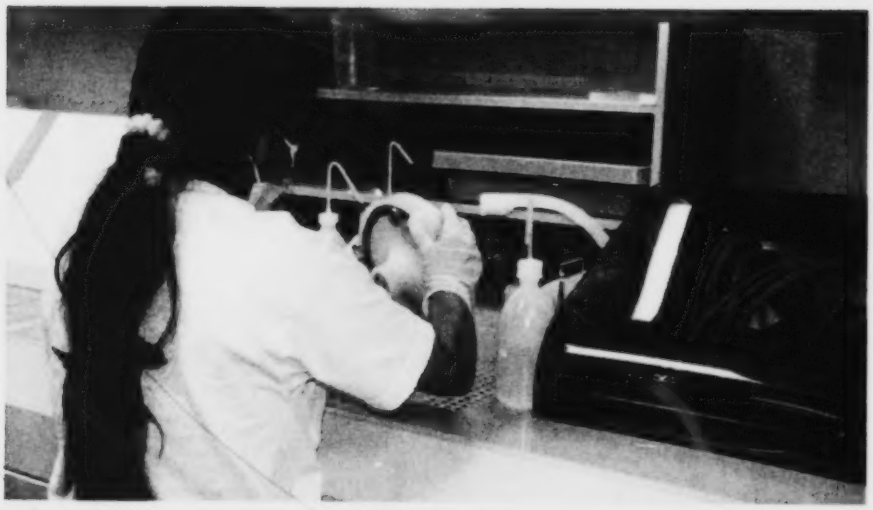
The Agency is renewing how it works and taking an *integrated approach* to addressing economic development issues. This new approach means, in Agency parlance, a comprehensive, territorial, horizontal and participatory approach, taking into account both the economic, social, cultural and environmental dimensions of development challenges. It recognizes that development needs and priorities are not all the same from one Quebec region to another. Furthermore, this approach provides for dialogue and consultation with, and participation by, development agents from both the public sector and civil society.

The Agency will continue to seek to improve the quality of its management. It will also pursue the efforts made in the past to assess the impact of its action more effectively, and will shortly be introducing new programs that will be fully results-based.

The practice of an *integrated approach* along with increasingly results-based management represents a stimulating challenge for the Agency that cannot be underestimated, one it has every intention of meeting to the expectations of the government and Canadians.



Michelle d'Auray
President



Section 1

The AGENCY in ACTION

Section I

THE AGENCY IN ACTION

1.1 Role of the Agency

Its purpose being "to promote the development and diversification of the economy of the regions of Quebec," the *Economic Development Agency of Canada for the Regions of Quebec Act* came into force on October 5, 2005. This legislation stipulates that the object of the Agency is to "promote the long-term economic development of the regions of Quebec by giving special attention to those where slow economic growth is prevalent or where opportunities for productive employment are inadequate." In fact, well before this Act was introduced, indeed close to half a century ago, Canada had set itself up with regional development tools, in Quebec and elsewhere, along the lines followed by several other countries. This concern for the regions stems from fundamental Canadian values: the *Constitution Act* commits the Government of Canada to furthering a reduction in disparity in opportunities among citizens in the different regions of Canada.

The Agency fulfils its mission in a context where globalization, including the lightning rise of such countries as China, India or Brazil, has led to an intensification of the competition faced by a number of traditional industries which had fuelled the progress of Quebec and its regions for decades, and by a number of new industries on which the future success of the Quebec economy increasingly depends.

In order to help Quebec prosper in a context of fierce competition, the Agency works with all federal departments and agencies to ensure that in the development of national policies and programs full allowance is made for the specific realities of Quebec's regions. Furthermore, the Agency intervenes in regard to Quebec's economic agents by offering them advisory and guidance services through its 14 business offices, and by providing them with its financial support.

The Agency's action in regard to small- and medium-sized enterprises helps them generate or acquire new knowledge, extend their competencies, explore partnership opportunities, and enhance their productivity and their innovation or commercialization capability. The Agency also backs non-profit organizations providing services in support of the development of Quebec's enterprises, communities

and regions. For instance, it supports the design and implementation, by players in the field, of development and diversification action plans and projects likely to contribute to the recovery or economic reinforcement of their regions or the industries located there.

The Agency believes that the regions of Quebec will be better able to meet the economic challenges facing them in a climate where the different development agents work together. For that reason, the Agency will continue over the next few years to dialogue with local people, other federal departments and agencies, the Government of Quebec and the municipalities under its jurisdiction, local development organizations, regional or sectoral organizations, and institutions of higher learning.

1.2 Overview of Agency achievements for the period covering fiscal years 2004-2005 and 2005-2006 and the first half of fiscal year 2006-2007

In 2004-2005 and 2005-2006, the Agency focussed primarily on two priorities: promoting innovation and the knowledge economy in each of Quebec's regions, and supporting communities struggling with adjustment difficulties. The priorities for fiscal year (FY) 2006-2007 were in line with the previous priorities, with the Agency focussing more on regions and communities in transition and on innovative SMEs.

1.2.1 Investment in the economy of Quebec regions made possible by the Agency

As shown in the following table headed *Overview of Agency investment between 2004 and 2006*, the Agency through its programs provided financial support for 2,654 projects between April 1, 2004 and September 30, 2006. With investment totalling close to $900 million, the Agency thus fostered the implementation of economic development projects valued at a total of more than $3.6 billion. In other words, each dollar injected by the Agency led directly to investment of more than three additional dollars in the economy of the regions of Quebec.

The Agency invested more than $441 million in 1,405 projects targeting enhancement of Quebec enterprises' competitiveness. The total value of the projects amounted to more than $1.8 billion, including investment from other funding sources. In particular, of these 1,405 projects, 375 (27%) were carried out in Quebec's outlying regions. Agency investment in those projects reached $118 million, or 26% of the $441 million invested.

Over the same period, the Agency injected more than $436 million in 1,249 projects to support the dynamism and vitality of Quebec communities. The value of projects targeting enhancement of the vitality of Quebec communities totalled more than $1.8 billion. More than half of these projects (55%) were carried out in Quebec's outlying regions. The Agency's contribution was especially significant in the case of those 693 projects, since the $127 million paid represented 29% of the $436 million invested.

OVERVIEW OF AGENCY INVESTMENT BETWEEN 2004 AND 2006

	Outlying regions[1]		Other regions		Total[2]	
	Number	In millions of dollars	Number	In millions of dollars	Number	In millions of dollars
Competitiveness of enterprises						
Number of projects	375	—	1,030	—	1,405	—
Value of Agency financial assistance	—	*117.7*	—	*323.9*	—	*441.6*
Total value of projects	—	*448.7*	—	*1,360.6*	—	*1,809.3*
Vitality of communities						
Number of projects	693	—	556	—	1,249	—
Value of Agency financial assistance	—	*126.5*	—	*310*	—	*436.4*
Valeur totale des projets	—	*218.3*	—	*1,621.2*	—	*1,839.5*
TOTAL						
Number of projects	1,068	—	1,586	—	2,654	—
Value of Agency financial assistance	—	*244.2*	—	*633.9*	—	*878*
Total value of projects	—	*667.0*	—	*2,981.8*	—	*3,648.8*

Notes:

1 The outlying regions are: Abitibi-Témiscamingue, Bas-Saint-Laurent, Côte-Nord, Nord-du-Quebec, Gaspésie—Îles-de-la-Madeleine and Saguenay—Lac-Saint-Jean.

2 This table does not include data from the Infrastructure Canada programs.

In its overall programming, the Agency seeks to provide financial support for a project when there is every indication that without this assistance the project would not be carried out or, at the very least, that it would be carried out on a smaller scale or would be postponed. The survey results indicated in the following table show that the incentive effect of the Agency's assistance is significant: without its assistance, numerous economic development projects of importance for Quebec would have had to be abandoned by their promoters or be considerably modified. These data were obtained through the yearly telephone surveys.[1]

1 See p. 81 of the Agency's *Performance Report for the period ending March 31, 2006* for details regarding the survey methodology used.

INCENTIVE EFFECT OF AGENCY FINANCIAL ASSISTANCE

Type of project	Proportion of projects where Agency assistance proved essential[1]	
	2004-2005	**2005-2006**
Competitiveness of enterprises projects	93%	93%
Vitality of communities projects	97%	100%

Note:
1 Recipients of Agency funds are surveyed each year by telephone.

1.2.2 Beneficiaries' assessment of Agency assistance

The following table presents the Agency's main results with respect to the level of satisfaction of beneficiaries of its programs for the past five years. For all aspects of service except financial assistance application response times, satisfaction levels rose or held steady. Moreover, with the exception of financial assistance application response times, all aspects of service exceeded the objectives set over the past few years.

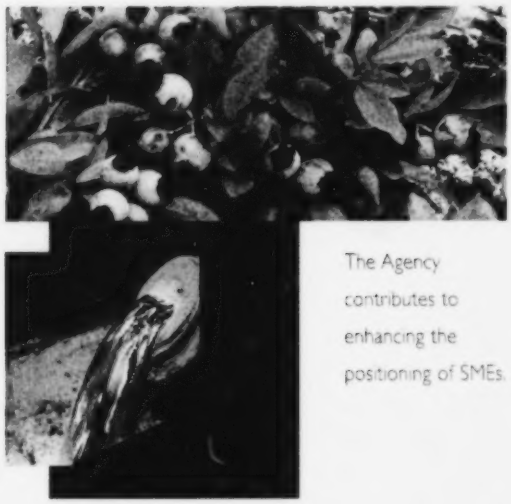
BENEFICIARIES' SATISFACTION

Main aspects of service	Objectives	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
Access to services	85%	87.7%	90.9%	91.4%	92.8%	90.7%
Ability to meet beneficiaries' needs	85%	87.3%	85.3%	88.6%	90.0%	88.8%
Financial assistance application response time	80%	86.0%	75.5%	78.2%	81.1%	77.4%
Guidance through procedure	85%	90.5%	89.9%	89.1%	91.7%	90.1%

1.2.3 Impact of Agency assistance

The assistance provided by the Agency to Quebec economic agents has a positive impact. For instance, a review of a survey conducted in 2005-2006 on a sample of Agency-supported enterprises shows that 75 of the 150 respondent enterprises stated they had made sales on new markets. The survey showed that sales on new markets increased by an average of $730,000 for 67 of those respondents. In addition, the survey revealed that 63 enterprises out of 150 had become new exporters. The average number of jobs created, transformed or maintained stood at 11.6 per enterprise assisted, according to the enterprises that answered this section of the questionnaire.

1.2.4 Programs that enabled the Agency to invest in the economy of the regions of Quebec



The Agency contributes to enhancing the positioning of SMEs.

The examples of results presented above are those observed to date by the Agency within the framework of its current programs during the period from April 2004 to September 2006. These programs provided repayable or non-repayable contributions or, more exceptionally, grants for economic development agents in Quebec. The following table lists these programs.

PROGRAMS IMPLEMENTED BY THE AGENCY IN 2004-2005, 2005-2006, OR THE FIRST HALF OF FISCAL YEAR 2006-2007

Agency programs		Programs of other federal departments implemented by the Agency
...ent Innovation, developm and access of entrepreneurship DEA-SME) program for SMEs (I ...itiatives Regional Strategic Ini (RSI) program Program Community Futures (CFP)	Canadian Support Program for the Gaspésie—Îles-de-la-Madeleine Economy (CSPGÎME) (terminated) Adjustment Measures for Quebec Fishing Communities (AMQFC) (terminated)	Infrastructure Canada Program (2000) Canada Infrastructure Works (1994) (terminated) Municipal Rural Infrastructure Fund (MRIF) Canadian Apparel and Textile Industries Program (CATIP) — CANtex component

The *IDEA-SME* program fosters the development of Quebec enterprises by supporting, among other things, an increase in their ability to commercialize new technologies or ideas, experimentation in the natural resources sector and intensification of SMEs' activities in foreign markets.

The Agency set up the *Regional Strategic Initiatives* program to support the implementation of projects likely to have a growth-generating impact on a region's economy. The program supports, in particular, the acquisition of promising technology by enterprises, the enhancement of regions' tourism potential and rural communities' adjustment to the new global economic environment.

The *Community Futures Program* is used to support regional communities' taking charge of their own development. In concrete terms, it enables the Agency to provide financial support to 57 Community Futures Development Corporations (CFDCs), 15 Community Economic Development Corporations (CEDCs) and 10 Business Development Centres (BDCs) active in Quebec.

The *Canadian Support Program for the Gaspésie—Îles-de-la-Madeleine Economy* was a special measure aimed at enhancing the region's economic situation. In a similar vein, the Agency set up *Special Adjustment Measures for Quebec Fishing Communities* in conjunction with other federal departments and agencies to help villages affected by the slowdown in fishing activities to create new jobs. These two initiatives are now terminated.

The Agency is also responsible for the implementation in Quebec of the *Infrastructure Canada Program*, whose objective is to upgrade Quebec's urban and rural municipal infrastructure and enhance Canadians' quality of life. This program superseded the *Canada Infrastructure Works* program in 2000, but a number of projects approved under the earlier initiative are still the subject of expenditures by the Agency.

Finally, the Agency implements the Quebec component of the *Canadian Apparel and Textile Industries Program* developed by Industry Canada. This program is used to support Quebec enterprises in the context of Canada's growing openness to the importation of textiles and clothing from less developed countries.

1.3 Six new initiatives for the Agency

During 2006, the Minister responsible for the Agency travelled the length and breadth of Quebec to take the pulse of the regions and discuss, with the people living and working there, the challenges they face. Three of these challenges called for special attention.

First of all, Quebec's regions have to continue to diversify their activities and their gradual conversion to an economy where the capability to export and innovate plays an increasingly crucial role. Indeed, the prosperity of Quebec communities depends in some cases on the health of a single industry, or even a single enterprise. In addition, it often depends on the harnessing and transformation of natural resources, two activities that are increasingly exposed to the effects of globalization. To confront foreign competition, Quebec's regions will have to take foot in new markets, such as marine biotechnology or the environment. They will also have to design or implement business models, technologies or processes that will enable them to stand out in traditional industries under attack from foreign competition.

Second, Quebec's regions must face the aging of their population, workers and business leaders, and must successfully stem the departure of part of their young talent for Quebec's major metropolitan centres, and indeed for other provinces or countries. These two phenomena jeopardize the capability of generating wealth and threaten social cohesion, particularly in communities far from large urban centres. Reversing these trends will require the establishment of a healthy entrepreneurial climate and the creation of sustainable employment.

Finally, the regions will have to mobilize all their prime movers successfully behind the objectives they will have set themselves. To that end, their regional leaders will in particular have to take into account the requirements of citizens who rightfully expect public and other organizations to lend an attentive ear to their needs, operate in a highly transparent manner, manage fairly and efficiently the sums entrusted to them and work closely with all players likely to contribute to meeting the regions' challenges, including players from civil society, such as community groups.

To meet these particular challenges, six new initiatives were announced in September 2006, following three main focuses for action:

- Contribute to revitalizing Quebec communities in regions posting slow economic growth, so that they benefit from a better socio-economic outlook.
- Support the competitiveness of SMEs and the creation and maintenance of enterprises in the regions.
- Foster players' mobilization to ensure that the development policies, programs and projects implemented in the regions adequately meet their communities' needs.

1.3.1 Contribute to revitalizing Quebec communities in regions posting slow economic growth

Many of the new initiatives target the reinforcement of economic activity in seven devitalized regions, namely, Abitibi-Témiscamingue, Bas-Saint-Laurent, Côte-Nord, Gaspésie—Îles-de-la-Madeleine, Mauricie, Nord-du-Quebec and Saguenay—Lac-Saint-Jean, and 21 regional county municipalities (RCMs). These regions and RCMs, comprising a total of 795 municipalities and close to 1.6 million residents (or one fifth of the population of Quebec), are experiencing negative demographic growth owing to the economic difficulties they are faced with. This broadens the scope of the priority targeted by the Agency in previous years, the Mauricie region and 21 RCMs being added to the six resource regions to which priority was previously given.

These regions and RCMs are geographically distant from the major North American consumer markets. They have little economic diversification, so they are vulnerable when demand for their main products flags. They have to deal increasingly with the tightening of rules surrounding the harnessing of their natural resources (for instance, reduced stumpage dues); their development mainly depends on primary industries, which generate a relatively limited number of jobs. Finally, access to diversified funding sources and the resources required to reinforce local entrepreneurship are often lacking.

Thus the Agency in September 2006 adopted two new measures:

- The Agency announced the launch, at a cost of $85 million over four years, of the *Community Economic Diversification Initiative – Vitality* (CEDI-Vitality). In the past, the Agency has supported the diversification of communities facing devitalization in certain specific sectors, such as the fishery. CEDI-Vitality broadens the scope of this assistance by targeting the economic diversification of communities facing generalized economic devitalization and posting low vitality indices. This initiative will thus contribute to reviving the dynamism of the regions targeted by diversifying their economic base and reducing the dependence of communities whose economy is based on a single industry or sector, or on the harnessing of natural resources; it also aims to create sustainable jobs and stem the population exodus. Financial assistance from the Agency can support the startup of enterprises in promising sectors; expansion and modernization of enterprises; development of niche products;

guidance and technical support for enterprises; reinforcement of collaboration among knowledge and technology transfer institutions and enterprises; and reinforcement of communities' capability to take action with respect to local development.

- Regions and communities sustaining slow economic growth suffer especially from the lack or obsolescence of certain equipment. For that reason, the Agency decided to create an envelope of $30 million over two years to support the construction and upgrading of community facilities with an economic role. This measure will enable the regions and communities targeted to have at their disposal this equipment which contributes directly to the reinforcement of their economic activity that can even facilitate the diversification of the local economy.

  The types of projects eligible are reinforcement of the reception capability of an industrial or tourist park; port and airport facilities and tourism infrastructure supporting the development of international tourism (e.g., the international cruise industry); expansion of a transshipment dock; building of a railway link; and broadband telecommunications infrastructure. Projects assisted will have to support reinforcement of the economic base directly, generate direct spinoffs that are measurable in the short or medium term, create a significant number of sustainable jobs, reinforce access to the main markets outside the region, and enable a region or community to acquire sustainable competitive advantages. The success of this component will be measured in particular by the creation and development of enterprises, the maintenance and creation of sustainable employment, and the increase in trade.

The Agency contributes to revitalizing communities in Quebec regions posting slow economic growth.

1.3.2 Support the competitiveness of SMEs and the creation and maintenance of enterprises in the regions

On the basis of its analyses, the Agency concluded that entrepreneurs' creativity is a key factor in regional economic development. It is also aware that to start up an enterprise, explore new business niches or develop promising markets, enterprise founders or executives require favourable conditions. For instance, they have to be able to access the capital they need, obtain advice from experienced experts, get in touch with potential partners or benefit from the proximity of high-level research institutions.

As a result, the Agency decided to support the startup and maintenance of SMEs in the regions as well as the commercialization capability of all SMEs. This translated in 2006 into the adoption of three new measures:

- The Agency decided to intensify its assistance for increasing SMEs' export capability, and to do so it introduced a new measure entitled *Partnering with enterprises for commercialization*. According to the Agency's analyses, difficulties related to the commercial activities of innovative, international exporting enterprises are one of the main hurdles to their development. SMEs' competitiveness with respect to emerging markets largely depends on their ability to make an impression on international markets, and the challenge of commercialization is particularly great for most Quebec SMEs. In this context, SMEs must have access to resources in order to gather and assess the information they need, develop strategies with regard to international markets and market their products and services.

  In concrete terms, a $20-million envelope over four years will enable Quebec enterprises or groups of enterprises to fund up to 50% of the salary of export specialists. This measure will help equip enterprises with human resources skilled in foreign commercialization and improve their competitiveness on foreign markets, thus adding to the support already provided by the Agency to stimulate SMEs' innovation capability, support the commercialization of their products and services and increase their productivity. The spinoffs will translate into an increase in the value of exports and the number of new exporters, and repayment of the contribution will be linked to increased sales.

- The Agency provided $8 million of the $30 million needed for the establishment, for 2006-2007, of the *Capital Fund for Business Succession*. The sums paid by the Fund can help an entrepreneur buy an existing business and ensure that it pursues its activities in its local area. This is a crucial issue, since the sustainability of Quebec's entrepreneurial heritage is currently under threat. In fact, 70% of Quebec executives will be retiring within the next 10 years.

  The succession projects submitted to date are in manufacturing for industrial markets or convenience goods and in tourism and business services. The smallest transactions are for projects of less than $1 million where the contribution of funds represents 20 to 25% of the financial package. For large-scale projects involving several million dollars, the contribution of funds constitutes less than 5%. In terms of results, this Agency initiative should help increase the number of successful SME transfers, notably inter-generational transfers (management-employee, parent-child), keep existing firms as well as jobs and decision-making centres in the regions, and contribute to consolidation of the regional economic fabric.

The Agency supports the startup and competitiveness of SMEs, and their maintenance in the regions.

- The Agency will contribute $5 million of the $20 million in the new *Venture Capital Fund for Business Startups in the Regions*. This new Fund targets SMEs which do not have recurring sales and are in their first round of searching for outside investors, and will contribute to creating enterprises which could not have been launched without this new source of capital. This pilot fund aims to rectify a thorny problem, since only 4% of the venture capital invested in Quebec is currently invested outside Montréal, Québec and Gatineau. Entrepreneurs have to be able to grasp enterprises opportunities in order to start up enterprises. To do so, they have, among other things, to have access to adequate financing.

projects submitted to date are highly
The business startup rom the startup of enterprises that transform
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where the contributi
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These two venture cares Development Corporations and Business
the Community Futus, with the support of Desjardins Venture
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Capital and the *Fond*operating in Quebec may also join.
capital corporations

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1.3.3 Foster players' m s and projects implemented in the regions
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adequately meet

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Finally, the Agency is av are especially well placed to identify their
in Quebec communities customized solutions likely to encourage their
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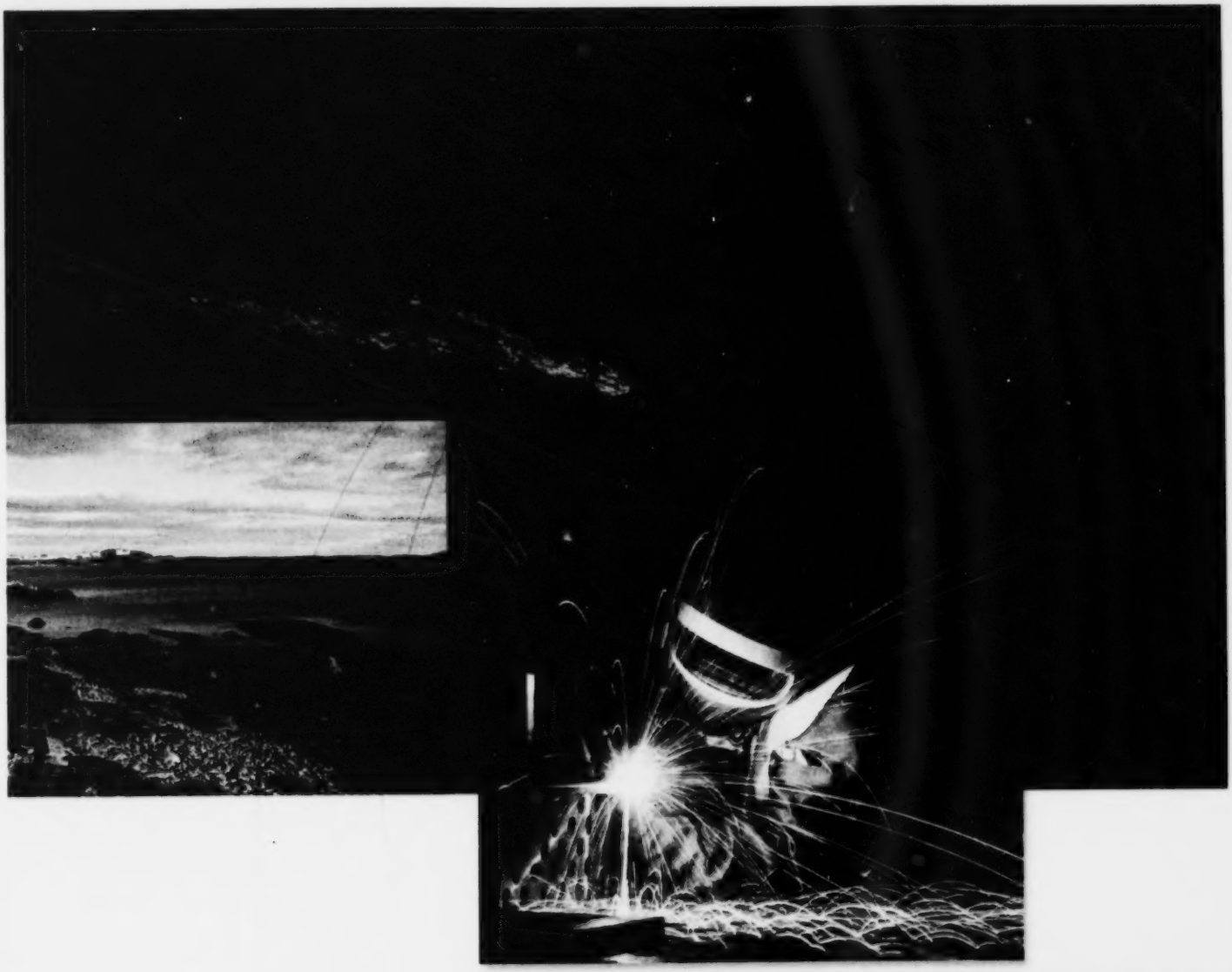
needed to succeed. Conseconomic agents in the design of the directions
participation by socio-eoured in their regions and the choice of niches
and priorities to be favo
to be targeted.

The Agency fosters socio-economic agents' mobilization to meet their communities' needs more closely

The Agency therefore announced in October 2006 the imminent establishment of advisory committees that will, among other things, keep the Minister informed as to the economic situation in their regions, advise him on the development approaches to be favoured and suggest to him the means to be used to apply these strategies. These committees will be made up of members appointed by the Minister and living in the geographical areas served by the Agency's business offices. They will be individuals recognized in their communities for their knowledge and commitment, in particular business people and representatives of the Community Futures Development Corporations, Business Development Centres and other regional economic organizations.



Section 2

GREATER results-based MANAGEMENT

Section 2

GREATER RESULTS-BASED MANAGEMENT

2.1 Responsibility and resources allocated to the Agency

The Economic Development Agency of Canada for the Regions of Quebec is placed under the authority of the Minister. The President is responsible for the sound management of the organization.

As shown in the table below, the Agency has at its disposal for FY 2006-2007 a budget of $381.6 million and a complement of 408 full-time employees to enable the regions and communities of Quebec to increase their development capability, dynamism and prosperity in a substantial, lasting manner, for the benefit of all Canadians.

AGENCY EXPENDITURES AND COMPLEMENT

	2004-2005	2005-2006	2006-2007[1]
EXPENDITURES *(in millions of dollars)*	*333.1*	*334.2*	*381.6*
EMPLOYEES[2]	401	417	408

Notes:

1 Planned spending for the FY.

2 The number of employees is expressed in full-time equivalents.

2.2 Measures taken by the Agency with respect to results-based management

The Government of Canada is aware that Canadians expect federal departments and agencies to operate more efficiently and effectively. For Public Service managers, it is important to:

- define clearly the results they intend to achieve
- focus on attaining those results
- measure the performance of their intervention
- adjust their action so as better to serve Canadians and Canada's enterprises.

In short, adopting a greater results-based management involves a vast operation under the hallmark of continuous change and improvement, at the Agency as elsewhere in the Canadian government.

The Agency has renewed the directions that will guide it over the next few years. They determine the results that will be targeted with respect to *vitality of communities* and *competitiveness of SMEs and the regions*, while building on an *integrated approach*. The Agency is currently meeting the challenge of anchoring its new directions solidly in its action.

2.2.1 The Agency addresses development issues with an *integrated approach*

The Agency's integrated approach will contribute to development and diversification of the economy and attainment of targeted results

The development issues facing Quebec are most often complex and multi-faceted. The Agency's new directions build on an *integrated approach* that will enable it to contribute effectively to the development and diversification of the economy of Quebec's regions and attain the results targeted by its action.

Adopting an *integrated approach* means, on the one hand, that when planning its directions, policies and programs and when implementing them, the Agency will seek more than ever to take into account *all* the dimensions of Quebec regions' economic development issues (their economic dimension, naturally, but also their environmental, social and cultural dimensions). In this regard, the Agency's sustainable development strategy comprises an action plan integrated with its overall activities; this is also the case with its action plan with respect to multiculturalism and Aboriginal economic development. The Agency targets the same approach with regard to official language minority communities. The *integrated approach* is intended to be fully comprehensive.

Adoption of an *integrated approach* also means that, to support Quebec regions' economic development efforts more effectively, the Agency increasingly focusses on:

- working closely with federal departments and agencies active in the regions of Quebec, the Government of Quebec and the municipal administrations under the latter's jurisdiction
- assisting Quebec's different regions and its communities through strategies reflecting their respective assets and challenges
- working with economic agents in each region so that everyone can harness their knowledge and competencies.

2.2.2 The Agency will implement new results-based programs

The Agency is in the process of drawing up new programs that, once approved, will be in line with the new directions and will target enhancement of communities' vitality, competitiveness of SMEs and the regions, and an increase in and dissemination of regional development knowledge and knowhow. These new programs will supersede the IDEA-SME and RSI programs, which terminate on March 31, 2007.

The Agency's new programs are results-based.

The Agency designed these new economic development support programs, ensuring that they are in line with the needs of Quebec's different regions and with the new departmental initiatives described in the first section, while making sure that these programs are focussed on the attainment of tangible, measurable results and taking into account the importance of using an *integrated approach* to address development issues. In fact, all Agency sectors have worked together for rapid delivery of the six new initiatives geared to the regions' various needs.

2.2.3 The Agency continues to improve the quality of its management

The Agency always seeks to bring together the elements necessary for its smooth operation, whether in terms of competent, motivated human resources, a corporate culture conducive to cooperation or robust work processes. Operating in a context characterized by innovation and change, the Agency continually works to reinforce its effectiveness by improving the quality of its management. In this regard, it is pursuing a management succession initiative as part of its 2005-2007 human resources planning. The organization is targeting a number of management positions which the Agency could be called upon to staff over the next 18 months and drawing up a process for identifying the corporate management potential in order to foster the development of employees who can hold management positions.

The Agency reinforces its effectiveness by improving the quality of its management.

In a perspective of enhancing management, the Agency has also put in place all the elements required for implementation of the new *Public Service Modernization Act* (PSMA). Managers have been trained to meet their obligations stemming from the new legislation, and delegation instruments have been revised in line with the requirements. The Agency is in the process of putting in place a management (including management of financial and human resources) and reporting infrastructure that will be integrated with the organization's activities and allow the benefits of the PSMA to be fully realized.

Also in a concern for overall improvement in management, transparency and accountability, the Agency in May 2006 conducted a review of its operating methods so as to foster attainment of the results it had set itself. The exercise led to changes in its organizational structure bringing that structure into line with the Agency's objectives and results to be attained. This restructuring made it possible to establish clearly the roles and responsibilities of its different divisions and components, and to separate, as required by sound governance, the unit that has to draw up policy and strategy from the unit responsible for program administration and delivery of services to regional development agents, particularly SMEs.

Finally, the Agency has adopted various measures conducive to its employees' mobilization, their coordination toward attaining the anticipated results and the circulation of information and knowledge helpful for fulfilling the organization's mission. Thus, all its responsibility centres are called upon to contribute to the integrated planning efforts, a measure that helps bring the Agency's resources in line with its directions, priorities and targeted results. Measures have also been taken to reinforce the operational planning and regional coordination processes. For their part, communities of practice created by the Agency on such questions as tourism, development of foreign markets or development of entrepreneurship foster the sharing and enrichment of its employees' expertise, beyond the geographical or organizational boundaries that can divide them.

2.2.4 The Agency increases its ability to evaluate the quality and impact of its action

The Agency evaluates the quality and impact of its action.

In *Advantage Canada – Building a Strong Economy for Canadians*, the government stresses that federal departments and agencies have to manage their programs so as to obtain very specific results and assess their performance on the basis of their ability to generate these results. The Agency has taken several steps to evaluate more accurately the quality and impact of its programs and, eventually, to make the appropriate improvements to them.

Agency management is aware that to evaluate the effectiveness of its new programs, the program results have first to be well defined. So the Agency has begun to translate into specific indicators the results it will be pursuing through its new programs. It wishes to be in a position, in the medium term, to specify the levels of results to be attained.

The Agency will continue to upgrade its tools to produce advice and recommendations on the timeliness of its programs and initiatives, the quality of their design, their effectiveness, and their implementation and management, and to gauge the miscellaneous risks associated with their application. Since departmental performance measurement depends from the outset on the Agency's ability to access reliable, accurate data on the results and costs of its programs and activities, it has undertaken work that will pave the way for implementing a performance information management system that is more effective, in both technical and organizational terms.

In addition, the Agency has created and uses tools that will enable it to calculate its costs more accurately so as to control them more effectively in obtaining the results it targets. These instruments will in particular help it measure the performance of the sums invested in a program or a given activity, then to adjust its strategies optimally. Their use will also be able to facilitate the identification of exemplary practices that it will be to the Agency's advantage to disseminate.

Also, in the wake of the Government of Canada's adoption of the new *Internal Audit Policy*, the Agency has set up a separate branch, the Internal Audit Branch, which is now responsible for auditing its overall activities. To ensure the impartiality and effectiveness of the internal audit process, this responsibility centre reports directly to the President. The Agency's Audit Committee, which approves the audit reports and resulting action plans, will include two members from outside the organization. The Agency has also increased the budget dedicated to performing audit activities.

CONCLUSION

The Agency's priorities and the initiatives presented in this report will be taken up in its annual reports to Parliament, namely, the *Report on Plans and Priorities* and the *Departmental Performance Report*. Parliamentarians and the general public will thus have regular opportunities to monitor the Agency's results.

The *Economic Development Agency of Canada for the Regions of Quebec Act* provides for the Agency to submit another comprehensive report to Parliament in 2011. This report will detail the Agency's achievements over the coming five years, along with its progress with respect to results-based management.

APPENDICES

APPENDIX I

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APPENDIX 2

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